UNIVERSITY OF OKLAHOMA

GRADUATE COLLEGE

# STATION MANAGEMENT PERCEPTIONS OF BARTER SYNDICATION: A PILOT STUDY

A THESIS

SUBMITTED TO THE GRADUATE FACULTY

in partial fulfillment of the requirements for the

degree of

MASTER OF ARTS

By

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Norman, Oklahoma

1992

STATION MANAGEMENT PERCEPTIONS

OF BARTER SYNDICATION: A PILOT STUDY

A THESIS

APPROVED FOR THE SCHOOL OF

JOURNALISM AND MASS COMMUNICATION

BY

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## ABSTRACT

Television stations may obtain off-network and other syndicated programing for little or no cash outlay. The practice of barter is used in nearly every commercial television station. In this pilot study, the barter industry, and Oklahoma television stations are examined. Television executives were surveyed regarding their opinions and uses of barter. The study found barter, while beneficial as a source of programing had reduced national commercial revenues and inventory from television stations. Barter, however, has not affected local advertising sales on Oklahoma television stations.

# CHAPTER I: INTRODUCTION

Nearly all avid and occasional viewers are familiar with syndicated television programs such as "Wheel of Fortune," "Jeopardy!," and "Star Trek: The Next Generation." Until recently, local television stations purchased or rented first-run or second-tier programs from distributors and producers. With the advent of barter, however, syndicated programs can now be obtained with little or no cost to the local station. Yet, few outside the television industry are familiar with the term "barter" as it relates to syndicated television.

A local television station, in order to obtain a syndicated program, will agree to reserve, or hold back, for the use of the distributor a specific number of commercial units within the program. The syndication company, in turn, allows the television station to air the program for little or no cost, and the station can then sell the remaining commercial units to local advertisers.

This type of negotiation, or barter, is widespread and expanding. In 1990, national barter advertising sales were

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$1.2 billion (Duncan, 1991, p. 7). Sales for 1991 were $1.275 billion and estimated to reach $1.38 in 1992 (Brown, 1992, p. 60). In European countries that allow barter, estimated revenues for 1990 were projected to be $75 million, and twice that for 1991 (Terranova, 1990, p. 66).

According to Joe Mandese, senior editor for <u>Marketing & Media Decisions</u>, program syndicators must obtain a minimum of 70% of the television markets in the United States to present their programs to potential advertising buyers. Unless that percentage is met, advertisers are likely to purchase advertising on a television network rather than a syndicated program offering (Mandese, 1988, p. 87).

Major stakeholders in the barter system include program producers, advertisers, television stations, television networks (American Broadcasting Company, Columbia Broadcasting Service, National Broadcasting Company, and FOX), and television viewers. Each stakeholder approaches barter with a different expectation.

Program producers and syndicators must recoup production costs, and the commercials units bartered from local stations provide an additional source of income. Syndicators then become time brokers and pre-sell held back commercial units, which encourages local stations to accept, or clear, the program for airing.

Should a local station accept these programs, it must then determine what percentage of its total programming can be bartered. Networks contend that when a station accepts bartered programs, the overall value of the local advertising dollar is weakened. According to an ABC study, "there are 50,000 additional national avails that exist as a result of barter's phenomenal growth--and syndicators are taking these avails and selling audiences in your market at discounted rates to your customers" (Gay, 1985, p. 95).

Robert L. Turner, Advertiser Supported Television Association president, disagrees, noting "those stations that have managed their program acquisitions effectively with a prudent mix of cash and barter offerings have already set the issue right and have taken charge of their financial operation" (Turner, 1983, p. 26).

Advertising buyers see barter as either a good or bad advertising value, with some using it as a hedge against inflation, a stabilizer of network prices, and in "targetcasting" to reach specific audiences (Weiden, 1987, p. 122). Others, such as Dick Hobbs, senior vice president of the Leo Burnett Agency, warn that advertisers "have very little interest in syndication if the price is the same as network, because syndication inherently has problems... (barter) doesn't clear as many markets as network, and the ratings vary more by market than network does" (Mandese, 1989, p. 30).

Advertising revenues of network television stations are threatened by bartered advertising time available in syndicated programs. The ABC survey of ten national advertisers found $540,000 went to barter that could have gone to the networks (Gay, 1985, p. 93).

It is clear the syndicated television industry and its barter advertising practices are controversial. Barter's attractiveness is dependent upon the rise and fall of economic conditions, yet barter advertising in syndicated programming appears to be firmly established.

The thesis has two hypotheses:

$HO_1$

This study will show barter advertising takes revenue from a television station, and;

$HO_2$

The acceptance of barter advertising weakens the dollar value of the commercial unit sold locally.

<u>Assumptions</u>

Assumptions of this study include:

1) Each television station has policies regarding the bartered programming.

2) Respondents reflect the general opinion of others in the same profession.

<u>Limitations</u>

1) The census consists of twenty-one television stations in the State of Oklahoma that regularly broadcast a minimum of eighteen hours of programming daily, seven days a week.

2) Information in this study is limited to data obtained from various academic and public libraries throughout the State of Oklahoma, as well as interlibrary loan, and from various industry trade associations.

Definitions

For the reader to better understand the concepts involved in barter advertising, it is necessary to define the terms of the subject. These definitions will be used throughout the thesis.

**Advertiser-Supported Television:** An industry phrase for barter. There is a trade association by the same name (ASTA).

**Barter:** A system of buying or selling syndicated television programming. For the television station, barter is a primary method of syndicated programming acquisition (McCavitt & Pringle, 1986, p. 114). The word "barter" is used for the transaction that occurs. A program producer will create a program and offer it to a television station. This program is available either free (straight barter) or for a small fee (barter plus cash). The program producers keep a certain amount of commercial time during the program for their own use. (It is either used for their use or sold to other advertisers.) The television station is free to sell the remaining commercial time, keeping all revenues from the sale.

**Barter Incentive:** Extra inducements given to a television station to help negotiate a barter deal (Eastman, Head, & Klein, 1985, p. 468).

**Barter Plus Cash:** A method of barter involving the exchange of cash and commercial time. The program producer charges a fee to the television station for the program, in addition to keeping a certain amount of commercial units in the program for its own use.

**Clearing a Market**: When a syndicated program has been approved by the station management to air and the barter deal has been finalized, the program is said to have "cleared" the market.

**Cost Per Thousand (CPM)**: The figure is a representational equation of the estimated audience of a program, divided by the advertising cost. Knowing a program's CPM enables media buyers to decide where to place advertising dollars.

**Daypart**: A television industry term used to divide the broadcast day into certain "parts." For scheduling purposes the day is divided into prime time (including access time), fringe time, daytime, and "all other". Prime time (7 to 10 p.m. CST), Access time (6:30 to 7 p.m. CST), Daytime (9:30 a.m. to 3:30 p.m. CST), Fringe (3:30 to 6:30 p.m., and 10 to 11 p.m. CST), Other (midnight to 9 a.m. CST). Saturday and Sunday dayparts are the same for prime time, late fringe, and other only.

**First Run Syndication**: These programs are "new" to the television audience and highly sought after. Newly released from network programs, or super-popular programs are part of this category (e.g. "Wheel of Fortune," "Star Trek: The Next Generation").

**Held Back**: Also called "holding back." This refers to the number of commercial units a program syndicator will keep, or use for his own benefit, once the syndicated program is released to television stations. The number of units varies with each program offered for syndication and negotiated with the station.

**Network**: "Any person, entity, or corporation which offers an interconnected program service on a regular basis for 15 or more hours per week to at least 25 affiliated television licensees in 10 or more States." (47 CFR 73.658(j)(4)). Currently, there are three networks: American Broadcasting Company (ABC), Columbia Broadcasting System (CBS), and National Broadcasting Company (NBC). A fourth entrant is FOX Network, yet to be recognized as a network by the television industry.

**Network Programming**: Program material developed and offered by a network for airing on its affiliated stations. Types of programs originated by the network include entertainment, news, sports, public affairs, and children's programs.

**Off-network Syndication**: Network television programs no longer offered by the network. These programs are then offered for sale to local television stations for airing at the discretion of station management.

**Prime-time Access Rule**: As defined by the Federal Communications Commission (47 CFR 73.658(k)):

> Effective September 8, 1975, commercial television stations owned by or affiliated with a national television network in the 50 largest television markets

shall devote, during the four hours of prime time (7-11 p.m. e.t. and pt., 6-10 p.m. c.t. and m.t.), no more than three hours to the presentation of programs from a national network, programs formerly on a national network (off-network programs) other than feature films, or, on Saturdays, feature films.

**Program Syndicator:** A production company that produces, creates, or distributes a television program or series. This company may, or may not, be associated with a television network or advertising agency. To help defray the cost of production, the program syndicator will barter with a television station to keep some of the commercial time to be sold by the program syndicator.

**Second-Tier Syndicated Programming:** Syndicated programs that lack the recognition of audiences as a popular program. These programs are usually bought and sold without buyer or seller knowing which daypart the program will air (Brown, 1990, p. M.O. 26).

**Spin Outs:** Commercials aired at times other than when the syndicated program airs (McCavitt & Pringle, 1986, p. 152).

**Straight Barter:** A method of barter, which does not involve the exchange of cash. The program producer receives only commercial time in the syndicated program, and the television station does not pay cash for the transaction.

**Syndication:** This term refers to the sale of programs on a market-by-market basis to all 210 television markets in the United States (Duncan, 1991, p. 5). "Syndication has always been one of the two principle sources of programming for TV stations, network television being the other" (Duncan, 1991, p. 5).

**Up Front Buying**: The practice of purchasing barter advertising before a program has been released to television stations or their audiences.

# CHAPTER II: LITERATURE REVIEW

A discussion of what barter is and how it came to be is essential for the reader to comprehend research findings presented later. Barter probably would not have developed as rapidly if the Federal Communications Commission had not required local television stations to provide local programming, rather than offering the network feed, during access times (6:30 to 7 p.m., CST, Monday-Friday). Local stations, in an effort to fill this time period, were faced with either producing and originating their own programming, or purchasing programming from other sources, thus creating the opportunity for barter.

Barter is represented in four distinct areas that affect all who watch television or work in the television industry. For the television producer, barter provides new markets for original programming. Television stations benefit because barter is a cost-efficient source of programming, enabling the station to stand apart from others in its market and attract viewers and advertisers. Barter, for national advertisers, is an additional source for commercial placement, as well as a control of network spot prices. For television viewers, barter provides an increasing amount of entertainment at no additional cost. (Duncan, 1991, p. 5).

Conversely, some in the industry criticize barter for its lack of quality programming and the diversion of advertising revenues from stations to syndicators. Still others charge that many who work in barter sales are dishonest or simply have little knowledge of their field.

Effects on programming

When networks purchase license fees for new programs, they have only two airings to make money from the program. Producers will sell their programs to networks at a price lower than the cost to produce the program (Goldman, 1992, p. B1). Production studios plan to make their money three seasons later when the programs enter off-network syndication (Gubernick, 1988, p. 49).

Television stations are faced with escalating programming costs and must look to barter as a form of cost control. According to John Rohr, vice president of Blair Television, "Stations in today's economy cannot afford to pay license fees for off-network shows" (Brown, 1992, 62). Stations struggling to obtain the necessary case use barter to obtain off-network programs (McClellan, 1992, p. 34).

With barter, it is possible for a station to obtain all its programming without any financial outlay, depending upon the production company and the popularity of the programs offered. The quality of programming available through this cashless negotiation, however, may not be something the station would want to air. Stations in markets with several broadcast outlets may not have a choice as to what to air and must take programs not purchased by other stations.

Some of the most popular programming on television is bartered programming. Consider this partial list: "Wheel of Fortune," "Jeopardy!," "Star Trek: The Next Generation," "Oprah Winfrey," "Geraldo," "Highway to Heaven," "The Judge," "The Bob Vila Show," "Donahue," "Sally Jessy Raphael," "Siskel & Ebert," "Live with Regis and Kathy Lee," "People's Court," "Love Connection," and "WWF Wrestling." This list does not include children's programs, specials, and movies that are also available by barter.

The FCC's prime-time access rule spurred the development of syndication and, in the beginning, producers "were unbindered by tradition...they took chances because they could afford to take chances because the budgets weren't so big" (Blumler and Spicer, 1990, p. 97). Leter, motion picture studios began to produce programs and offer them for syndication, trusting the increasing numbers of independent television stations would want their programs (Gabor and Hawkins, 1986, pp. 44-45). Yet, the creative process seems to have been lost in the business of profiti-making. According to Michael Garin, senior managing director for Furman Selz, Inc., the business of entertainment is not production, but distribution. "The profit is in distribution, and you produce to feed a distribution machine" (Foisie, 1992, p. 51).

For the past 13 years, says Bob Jacquemin, president of Buena Vista, the top-rated new program in syndication has been an off-network property (McClellan, 1992, p. 35). Jerry Dominus of J. Walter Thompson has high praise for off-network programming, calling it "the only programming that has worked" this season (Brown, 1992, p. 62).

Until 1991, a major sitcom's off-network rights had never been offered on a barter basis. In an all-barter arrangement, "Designing Women" cleared 150 television stations, representing nearly 90 percent of the country's households. By the time the program airs in Fall, 1992, Columbia Pictures expects to clear 200 markets (Fahey, 1992, p. 34).

Although some claim there are more first-run programs available now than ever in the top 30 syndicated shows (Walley, 1989, p. S-1), Thomas H. Winner, senior vice-president and media director for William Esty Company contends, "Most of the highest-rated barter syndication programs are either game shows, professional wrestling, or re-enactments of court cases" (Winner, 1987, p. 122).

Critics have long expressed dissatisfaction with the lack of originality of barter programs. According to Richard Pike, director of advertising services for Hunt-Wesson Foods, "There are too many shows of the same type" (Mandese, 1989. p. 34). Greg Lincoln of Pillsbury, concurs, "We'd like to see late night programs that are not "slasher" movies or tasteless comedies..." (Mandese, 1989, p. 34). "It's getting harder to find something that's fresh and vibrant," says David Lerner, vice president and broadcast supervisor of FCB/Leber Katz (Ellis-Simons, 1988, p. 80).

This concern is resounded regarding topic lists of talk shows. Vice President and Assistant Media Director of Leo Burnett Company, the largest buyer of syndication advertising, Kathy Ring regularly requests "the topic list for talk shows" (Mandese, 1990, p. 58). Responding to requests from the industry, Geraldo Rivera provides an added service to his advertisers. "Advertisers receive a list of programs more than a week in advance," according to Rivera, "and are given the option to drop their scheduled commercials. The vast majority don't exercise that option, though" (Edicott, 1990, p. S-2). MCA President, Shelly Schwab, suggests, however, that advertisers would have far greater control over the variables if they became equity partners in program development (Mandese, 1989. p. 69).

Ratings, because they are closely linked with advertising revenues, are another area of concern for barter programs. An ABC study found barter programs varied greatly in their ratings. "Jeopardy!'s" ratings, for example, varied from a 20 rating in Cleveland and Detroit to a six rating in Atlanta, Houston, and San Francisco, during November 1987, February and May 1988 rating periods. (Mandese, 1989, p. 32).

It is difficult to maintain constant ratings across the country due to the unique demographics of each market. Ratings are based on scientific methodology involving random samplings of viewers. Popular programs in Cleveland may fail in Houston. Television programs may be unable to deliver consistent ratings, whether they are network or syndicated offerings.

Effects on advertising

When the financial arrangements of barter are considered, two main stakeholders are involved: advertisers or program sponsors, and television stations or networks. The demands of stakeholders upon barter are unique and varied. Many would like barter to become more definitive in stabilizing network spot rates. According to one survey conducted by Adweek, half of the respondents believed syndication offered lower CPM's in general. Brown believes the other half echoed the words of an anonymous media director, "top-tier programs are ridiculously priced; marginal shows are not a good buy because of the quality" (Brown, 1990, p. M.O. 28).

Media buyers see many benefits of barter and syndicated programming. Nestle' Foods Director of Advertising, Steve Kurbinsky, says syndication offers demographic and psychographic continuity across the nation (Mandese, 1990, p. 58). Another media buyer, Paul Isacsson of Young & Rubicam, believes barter works best for his company when planned as a daypart (Mandese, 1990, p. 57).

Bartered programming, according to some media buyers, targets an audience. John Mattimore of McCann-Erickson points out, "When we buy syndication, we buy targeted properties. The more they go multiple dayparts, the less useful they will be" (Zahradnik, 1987. p. 46). This viewpoint is shared by Michael Weiden, executive vice president and director of advertising sales, LBS Communications, Inc.:

> At LBS we refer to the term, "targetcasting" for our programs. We deliver that hard to reach younger audience that is so difficult and expensive to reach on the networks and in significant quantities far superior to the low-rated "narrowcasting" that basic cable delivers to advertisers (Weiden, 1987, p. 122).

Syndication is often bought for efficiency and seldom does a program offer an opportunity for a sponsor to have identification in the form of product display or presentation (Mandese, 1989, p. 36). Game shows represent an area where product display or presentation is welcomed, purchased, and sold. Philip Lane, president of Video Enterprises specializes in game-show advertising. Lane calls game-show advertising, "the 'great equalizer', a way for companies without substantial ad budgets to create recognition without dipping too deeply into their pockets" (Franz, 1986, p. 2). According to Michael Weiden, advertisers have been able to purchase first-run, network-quality programming at significant cost-efficient advantages (Weiden, 1987, p. 122).

Currently, networks broker advertising time, taking from one supplier and then delivering to local stations in exchange for commercial time. Resources of networks are quite divided, and affiliates' share of compensation for airing network programs continues to decrease. Network compensation to affiliates averages only four percent of the affiliates' revenues (Duncan, 1991, p. 13).

Advertisers have been able to use barter as a hedge against inflation in dealing with network advertising rates. With barter as an option, the network may miss a sale if the price is not in line with the returns of barter.

"It works very well for us to pressure the networks to lower their ad rates," says Joel Segal, executive vice president of Ted Bates Advertising (Forkan, 1986, p. 108). Betsy Frank, senior vice president, Saatchi & Saatchi Advertising, Incorporated, adds, "Syndication has given them the leverage to keep costs in line, this past year networks were very reasonably priced and had dropped their CPM's significantly" (Delanty, 1992, p. 17). Barter has apparently captured the networks' attention, thus the CPM's for network programs were priced to compete with that of syndicated programs.

Despite the attractiveness of barter programming, there must be careful decisions regarding its use. If a station was to surrender a large number of available commercial units to barter, advertising revenues could drop significantly. To further complicate the matter, should the bartered program become overly successful, the value of the surrendered commercial units increases and the station cannot recoup (McCavitt & Pringle, 1986, p. 125).

John Rohr, vice president and director of programming for Blair Television, cautions stations in the overuse of bartered programming. "If, in fact, the economy were to have this miraculous turnaround, stations will find themselves in a disadvantageous position," says Rohr (Brown, 1992, p. 62). According to John Von Soosten, vice president of television programming for Katz Television Group, stations are hesitant to contract more barter. "Many stations don't even want to go to the 50-50 split," says Von Soosten (Brown, 1992, p. 60).

Opponents of barter contend that it siphons off national advertising to local stations, and the dollars that were to be spent on national advertising are spent on barter. ABC claims national advertisers are spending less in national spot buys. In a report sent to affiliates, ABC said stations accepting barter would, in effect, kill spot budgets. The report further showed how ten brands with heavy national advertising budgets split their spot and barter budgets (Gay, 1985, p. 93).

<u>Effects on television industry</u>

Bartered programming has changed the television industry, and according to Weiden, the change has been for the better. "The consensus is overwhelming that syndication has been a very positive force in the evolution of the television industry. You can bet it will continue to put the heat on network" (Weiden, 1987, p. 123).

Barter syndication is "achieving credibility as part of the mainstream of media rather than a secondary media," says Jack Myers, president of Infomarketing, a media research company (Kesler, 1986, p. S-4). Brian Byrne of International Advertising Sales states, "First-run barter syndication represents about 26% of the viewing" (Mandese, 1989, p. 30). Barter, with its offerings, is delivering more than one-fourth of the viewing in this country. This growth is due to alternative programming sources offered by barter and removal of the networks'sole dominance over television (Hadlock, 1988, p. S-4).

Barter, in the form of syndication, represented an industry worth $50 million in 1976 (Weiden, 1987, p. 123). By 1990, this figure grew to $1.2 billion in 1990 (Duncan, 1991, p. 7). Advertiser Supported Television Association (ASTA) projected 1991 earnings at nearly $1.4 billion ("Syndicated Upfront", 1991). Total revenues for 1991, however, only reached $1.275 billion with cash license fees accounting "for about two-thirds of the total syndication market" (Brown, 1992, p. 60). Revenues are projected at $1.38 billion for 1992 (Mahoney, 1992, p. 116), and may reach $2.5 billion by 1995 (Delanty, 1992, p. 15).

The barter industry continues to grow at an annual rate of 16% (Mahoney, 1991, p. 16). The Television Bureau of Advertising, (TBA), estimates barter growth at 15%-17%, while the growth for network television is between six and eight percent (Walley, 1989, p. S-1).

Tim Duncan, executive director of ASTA, believes barter will continue to grow because of the increased attention being paid to syndicators to develop first-run hour drama, which tend to be barter-only properties. Duncan also suggests the eventuality of network-quality series breaking into "prime-time slots on network affiliates" and the trend of popular network sitcoms "being offered as all-barter syndication vehicles instead of being cash offerings" will accelerate the growth of the barter industry (Mahoney, 1992, p. 116).

Another look at the cost advantages of barter in programming a station, reveals the profitability of the barter operation itself. While the network acts as a middleman between program suppliers and local stations, barter has no such middleman. Stations and producers are in direct contact, thereby reducing costs and allowing "syndicators to offer a better deal, making the system more attractive to both advertisers and the local stations" (Delanty, 1992, p. 17). Ted Baze, president and general manager of Oklahoma City's KOCB, believes barter works well for independent stations in daytime and late fringe slots. The stations' cash is then saved for early-fringe and prime-time programming (Brown, 1992, p. 62).

Syndicators, promising better production values on programs and offering more commercial availabilities, are gaining the attention of local affiliates (Mandese, 1988,

p. 68). The popularity of live syndicated specials and first-run series in prime time tempt affiliates to drop network programs in favor of barter. Affiliates have occasionally opted to air bartered specials instead of less spectacular network shows (Mahoney & Buckman, 1988, p. 30).

According to ASTA, when the prime-time rating of a syndicated program is equal to that of a network offering, the syndicated program can be as much as five times as profitable (Delanty, 1992, p. 17). Local stations thus become more inclined to choose to air syndicated programs in prime time rather than the network offering.

The broadcast industry has been lobbying the Federal Communications Commission to allow networks to enter the barter market. Since the early 1970s, the FCC has strictly prohibited networks from entering the syndication business (47 CFR 73.658(j)). The regulations were relaxed in early 1992, allowing networks to syndicate in-house produced programs. The new rules, however, limit networks "to producing 40 percent, or eight hours and 48 minutes, of the 22 hours on their prime-time schedules" ("FCC battles fin-syn", 1992, p. 60). Some analysts predict the networks' share of the rights to the most modestly successful programs would bring an extra $60 million annually per network ("Who is Watching", 1990, p. 64).

In recent months, the FCC's Prime-time Access Rule (PTAR) has divided the broadcast industry, with some moving to change the programming requirements during prime-time access. Those seeking the change are asking the FCC to allow any type of programming during access, which currently prohibits off-network and network programming. According to comments filed on behalf of NBC with the FCC, "Rather than promote diversity, the off-network provision of the PTAR merely compromises the independent, local station decision-making the commission was trying to promote by limiting the amount of programming an affiliate could accept from its network" (Jessell, 1991, p. 4).

If the PTAR is changed, says Rick Reeves, chairman of National Association of Television Program Executives (NATPE), there will be a major change in programming, and the networks could "recapture" the available time, noting that "television stations make most of their money between 4 p.m. and 8 p.m." (McClellan, 1992, P. 56). Dick Robertson, president of Time Warner Domestic Television, concurs that "the money is" in the 7-8 p.m. access time (Koch, 1990, p. 52).

Two television stations in California are taking the initiative and petitioning the FCC to allow them to make daypart changes in their schedules. KRON-TV, a Sacramento NBC affiliate, has asked the FCC to allow an exemption from PTAR, enabling the station to air network programming at 7 p.m. KRON would then have only one access program, "Jeopardy!", at 6:30 p.m. ("KRON-TV Sacramento", 1992, p. 31).

KPIX-TV, a San Francisco CBS affiliate, has asked the FCC to allow it to adopt the Midwest model of prime time (6-10 p.m.). Should this petition be granted, CBS could negotiate a 10:30 p.m. start of its late night schedule with the local affiliate ("KRON-TV Sacramento", 1992, p. 31). "I'm afraid that if PTAR is amended," warns David Lane, president of WFAA-TV, Dallas' ABC affiliate, "you will see most stations airing network reruns [in access] in the not-too-distant future" (Jessell, 1992, p. 32).

Barter, however, seems to lack the professionalism found in the cable and network industry. Those who sell and broker barter time represent production companies, yet customer service seems to be lacking. "A lot of us have been very disappointed with the failure of syndication," says Hilary Hichman, director of advertising for Sterling Drugs, "to provide in a lot of areas--the delivery, the paperwork, the backroom stuff--so it gets to be a very messy area to play in. Much messier than cable or network" (Mandese, 1990, p. 57).

According to Joe Mandese, senior editor for Marketing and Media Decisions, many media buyers have been upset by initial contacts of barter brokers. A predominant problem is salespeople who are more interested in selling than in meeting clients' needs (Mandese, 1989, p. 40).

In an effort to counter criticisms of the barter industry, a trade organization, International Reciprocal Trade Association (IRTA), has been formed (Mandese, 1990, p.16). IRTA's goal is to bring a standard of conduct to the barter and syndication industry by creating a peer-enforced code of standards and a pledge of ethics.

# CHAPTER III: RESEARCH METHOD

In order to obtain necessary data for this pilot study, it was essential to determine specific goals for this study. The researcher has an interest in trends, attitudes, and opinions of those professionals in the television industry, specifically Oklahoma's television industry.

The survey should determine if television executives use barter, whether or not they like it, as well as how much barter is used at each station. Data should be collected and presented to offer insight for those who wish to enter any phase of the barter industry, as well as researchers who seek to study its effects and usefulness.

Barter was chosen for this study because it affects nearly all television stations, even those that have a corporate policy against its use. It has become a method of obtaining programming with little or no outlay of cash, thereby making it a form of economic development, as well as a medium of exchange. Barter has also brought a new genre of television programming. A program described as being available only by barter quickly tells a television executive that it is usually available without cost, falls within a few predictable formats, and is probably not available from a network.

In selecting this topic, the researcher wanted to study a topic that had not been overworked. A cursory reading of subject headings in professional and academic journals yielded only a small number of articles on barter, barter advertising, barter programming, and the barter industry itself. With an interest in the topic, the researcher launched a formal study of barter.

The subjects surveyed in this study were Oklahoma television executives, including those in sales, programming, and management. The researcher, believing the television industry in Oklahoma is, at its core, no different than the television industry of any other state, chose to study his colleagues to determine whether the hypotheses heretofore set out had merit.

Oklahoma's television stations are located in four distinct trade areas, each market being ranked according to its Area of Dominant Influence (ADI). The ADI ranking is determined by the number of households watching television in the viewing area. The higher the number of the ADI rank, the smaller the market. Oklahoma City is ranked at 40, and includes the communities of Cheyenne and Sayre. Tulsa is ranked 58th, and includes Bartlesville, Claremore, and Okmulgee. Lawton is at 132, while Ada and Ardmore are at 173. Oklahoma, according to ADI rankings, has two top 100 markets and two below the 100 mark (Broadcasting Yearbook, 1990, p. C 50-51).

For the purpose of this survey, television stations were selected from the 1990 Broadcasting Yearbook. Only television stations licensed to the State of Oklahoma were surveyed. Two stations included in the survey, KVIJ and KXII, are licensed to Oklahoma, but maintain offices in the State of Texas. To be included in this study, stations were required to program a minimum of 15 hours weekly. Stations licensed, but not on the air, did not qualify for inclusion in the survey. Low-power stations operating directly from satellite or studio operation were not included in the survey.

Once the subjects were established for the survey, a means of gathering information was required. A mail survey was designed to gather both statistical information, as well as opinions of television executives with regard to barter practices.

The five-page survey began with the title, "Television Barter Survey". Following the title was a brief paragraph of instructions, indicating the purpose of the study (master's thesis), statement of the goals (survey opinions and gather data of Oklahoma television executives), and assurance of confidentiality of responses. Introductory questions were asked, including title of respondent, length of employment in current position, acceptance/nonacceptance of bartered programming, and reasons for use or nonuse of barter (see Appendix A).

Following the introductory questions were series of questions relating to the acceptance of barter, percentage of barter in the stations' schedules, company goals for barter percentages, number of held back units for distributors, and effects on the stations' advertising revenues.

There were a variety of response choices used in the survey instrument. Open-ended questions encouraged respondents, without leading them, to be open about discussing their stations. Twelve questions required Likert-type responses, but the majority of questions were of the simple, two or three response type (yes/no; increase/decrease/same).

The task of assembling the survey instrument and related letters was planned, along with a coding system for the benefit of identifying responses. A letter outlining the purpose of the study, introduced the survey instrument, and requested that executives complete the survey and return it in the enclosed, stamped return envelope (see Appendices B and C). A numeric code was placed under the staple of the survey instrument between pages two and three. The same code was placed next to the post office box number on the response envelope, i.e., a station coded as number 15 would be identified on the return envelope as "Post Office Box 1720-15" (see Appendix D).

Television station executives names and addresses were obtained from the 1990 Broadcasting Yearbook. A survey was mailed to each television station listed in the yearbook. The survey was administered in three waves beginning October, 1991, and ending January, 1992. A post office box address was used for the responses to assist the researcher in separating survey responses from personal or business correspondence.

After the survey deadline, January 31, 1992, each survey response was identified with the station call letters, channel number, and location. At this point, some responses were eliminated when it was determined their stations did not meet the established criteria for the study. Responses were tallied for each question and carefully rechecked. Extraneous comments were recorded and, when relevant, were included in the findings of the study.

# CHAPTER IV: FINDINGS

The focus of this pilot study of Oklahoma television stations was to determine attitudes of management toward barter and the effect of barter programming on these stations. Oklahoma television stations executives were asked to respond to a printed survey regarding their use of barter. Each of the state's 24 commercial stations, as well as OETA, were mailed surveys (see Figure 1). OETA responded for its four stations (KETA-Oklahoma City, KOED-Tulsa, KOET-Eufala, and KWET-Cheyenne) with one survey.

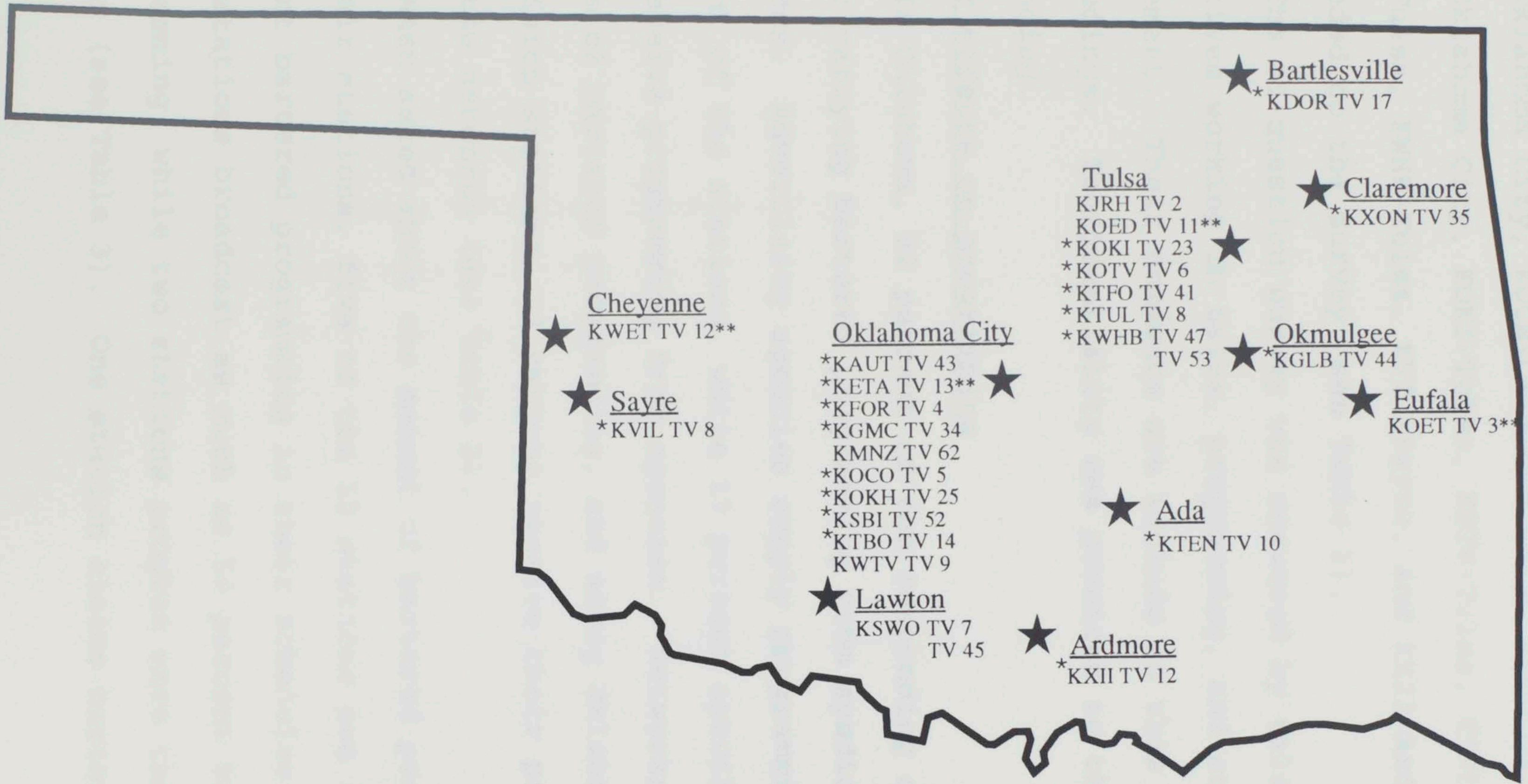
OETA stations and KXON-Claremore, owned and operated by Rogers State College, are non-commercial, educational stations, and thus, do not accept commercial advertising. Corporate policy prohibits barter at two stations, KTBO-Oklahoma City, owned and operated by Trinity Broadcasting of Oklahoma, and KDOR-Bartlesville, an affiliate of Trinity Broadcasting Network. These seven stations, therefore, were not included in the survey findings.

Two surveys (Channel 45-Lawton and Channel 53-Tulsa) were returned undeliverable, and KGLB-Okmulgee indicated that it was not yet broadcasting. The response from KSBI-Oklahoma City indicated that station did not meet minimum weekly broadcasting hours established by the researcher. These four stations, also, were not included in the survey findings.

The net yield of 17 television stations became the census for the pilot study. Five eligible stations did

Figure 1

**State of Oklahoma**
Oklahoma Television Stations




* Indicates stations responding to barter survey

** OETA Stations. Note that four OETA stations (Cheyenne, Oklahoma City, Tulsa, Eufala) responded with one survey from corporate office.

not respond to the survey, and thus, the researcher's findings are based on 12 stations (KAUT-Oklahoma City, KFOR-Oklahoma City, KOCB-Oklahoma City, KOCO-Oklahoma City, KOKH-Oklahoma City, KOKI-Tulsa, KOTV-Tulsa, KTFO-Tulsa, KTUL-Tulsa, KWHB-Tulsa, KVIJ-Sayre, and KXII-Ardmore) that responded to the survey (see Table 1).

The 35-question survey was answered by television executives working in sales, programming, and station management. Their comments are include in this discussion of findings. Confidentiality was promised to those responding.

Barter effects on programming

In Oklahoma, 92 percent of the responding stations report carrying bartered programming from syndicated services. Advertising agencies supply programming to 75 percent of the stations, while 17 percent specifically do not receive programming from agencies. Networks are a source of bartered programming, and among Oklahoma television stations, 67 percent receive their programming from the networks (see Table 2).

When asked about the amount of bartered programming on their stations, five of the 12 stations use less than 20 percent bartered programming in their schedules. Another five stations broadcast as much as 50 percent bartered programming, while two stations program more than 50 percent barter (see Table 3). One station claims bartered

Table 1

Survey response data

| | No. of stations |
|---|---|
| Population | 28 |
| Surveys returned undeliverable | 2 |
| Stations not responding | 5 |
| Stations responding | 21* |
| Rejected (did not meet criteria) | 9 |
| Valid | 12 |

*One response from OETA included four stations:

KETA-Oklahoma City

KOED-Tulsa

KOET-Eufala

KWET-Cheyenne

Table 2

<u>Sources of barter</u>

| | Yes | No | No response |
|---|---|---|---|
| Advertising agencies | 9 | 2 | 1 |
| Networks | 8 | 4 | - |

Table 3

Percentage of bartered programming in 1991 schedule

| | < 20% | 21% - 50% | > 50% |
|---|---|---|---|
| No. of stations | 5 | 5 | 2 |

programming makes up 65 percent of its broadcast schedule, and another admits programming is 75 percent bartered.

In responding to the percentage of bartered programming their stations aired in 1991 compared to that of the previous year, 42 percent experienced an increase, eight percent had a decreased amount of barter, while 50 percent remained at the same level (see Table 4). Seventy-five percent of the stations believe their use of bartered programming reflects their companies' goals (see Table 5). In estimating 1992 barter figures, 50 percent indicate the level of barter to be the same as 1991 levels. While three stations expect in increase of bartered programming in 1992, one indicates there will be a decrease in bartered programming. Six stations do not expect a change in their levels of bartered programming (see Table 6).

When asked if the percentage of bartered programming which occupied broadcast schedules did not reflect company goals, 42 percent of stations responding indicated they were making plans to reduce bartered programming. No station indicated plans to increase bartered programming (see Table 7). Among those who are making plans to decrease the amount of programming from bartered sources, respondents said, "Management decided to look into more, so we are going that direction... Need more time to sell...Loss of time to sell (sales opportunities)".

Table 4

Comparison of 1990 and 1991 barter percentages

| | More | Less | Same | Don't know | No response |
|---|---|---|---|---|---|
| No. of stations | 5 | 1 | 5 | 0 | 1 |

Table 5

Company goals reflected in current barter percentages

| | Yes | No | No response |
|---|---|---|---|
| No. of stations | 9 | 1 | 2 |

Table 6

Comparison of 1991 barter figures with 1992 estimates

| | More | Less | Same | Don't know | No response |
|---|---|---|---|---|---|
| No. of stations | 3 | 1 | 6 | 1 | 1 |

Table 7

<u>Barter movement</u>

| | Increase | Decrease | No response |
|---|---|---|---|
| No. of stations | 0 | 4 | 8 |

The majority of those responding (75%) do not actively solicit barter. Barter must come to the station without having to be solicited by the station itself. Only eight percent said they actively solicit bartered programming (see Table 8). Among the stations who solicit bartered programming, two said they look for "family entertainment", and "movies, drama, sitcoms, sports."

The types of programs selected for broadcast vary from station to station. A program accepted by one station may be rejected by another. Programs rejected by responding stations include "offensive types [that are] not uplifting or without values", "religious", "900 numbers", those that "compete head-to-head with spot advertising", "questionable" or "bad", those with an undesirable barter "split", those that are "not suitable for family", as well as "none" and "almost all".

Investigating the standards of television stations and their opinions on commercial spots, the survey asked what types of commercials would be unacceptable for the individual stations. The answers were as varied as the stations programming schedules. Among the types of unacceptable commercials are "900 numbers, sex lines, beer, tobacco", "those in violation of FCC rules", "adult novelty, gun shows, certain 900 chat lines", "some direct response", "900 numbers before 12 a.m.", "will not identify [the commercial's sponsor]", "illegal", "per inquiry", and "many types of off-color".

Table 8

Stations actively soliciting barter programs

| | Yes | No | No response |
|---|---|---|---|
| No. of stations | 1 | 9 | 2 |

The researcher wanted to discover the various reasons a station would accept bartered programming as a part of its schedule. Another open-ended question asked what a station's prime consideration for accepting a bartered programming package. Those responding wrote, "Will it bring an audience without compromising our standards?", "Is the program what we want?", "Whether it has audience appeal to deliver ratings," "Amount of barter and their client list," "Quality viewer appeal and time periods," "If time is given up to distributor at an acceptable cost," "Our need," "Ultimate financial return," "How many spots out of show inventory," "Sponsor exclusive," "Track record, plus motivated sequential blocks".

In determining the terms under which a station will accept bartered programming, all 12 stations said they accepted straight barter, and 83 percent said they accepted barter plus cash. Television executives at eight percent of the stations were interested in cash only deals (see Table 9).

In determining the number of commercial units held back by the distributors, 25 percent of Oklahoma television stations said the number of commercial units held back varied on each program. Twenty-five percent of the stations said the held back units averaged one to three per program, and 42 percent held back four or more units per program (see Table 10).

Table 9

<u>Terms of acceptance of bartered programming</u>

| | Barter only | Barter + cash | Cash only |
|---|---|---|---|
| No. of stations | 13 | 10 | 1 |

Table 10

Average number of commercial units held back for distributors

| | No. of stations |
|---|---|
| Held back time varies among programs | 3 |
| 1-3 units per program held back | 3 |
| 4+ units per program held back | 5 |
| No response | 1 |

The survey asked how the average number of units held back in 1991 compared with the number held back in 1990. Half said the number was the same for both years, and eight percent said the number for 1991 was lower than that of 1990. None of the stations reported an increase from 1990 to 1991 (see Table 11).

The stations were asked if the 1991 figure reflected the goals of the company with regard to the number of held back units. Half said this was the goal of their respective stations, while eight percent said their stations goals were not being met (see Table 12). One executive commented, "Could be better".

When considering the average number of commercial units a distributor holds back and how many the stations receive, a question of fairness was posed. From the stations responding, 42 percent said the station/distributor ratio was fair, while 33 percent did not know whether the ratio was fair (see Table 13).

From television stations claiming the highest number of held back units, three of five believed the barter split was fair (see Table 14). Among the stations that held back one to three units, two of three responses indicated the split was fair, one did not know (see Table 15). The three stations whose number of held back units varies between programs do not know if the barter split is fair (see Table 16). Generally, Oklahoma television stations indicate the number of commercial units held back for distributors

Table 11

Comparison of commercial units held back in 1991 with 1990 figures

| | More | Less | Same | Don't know | No response |
| --- | --- | --- | --- | --- | --- |
| No. of stations | 0 | 1 | 6 | 3 | 2 |

Table 12

Company barter goals currently being met

| | Yes | No | Don't know | No response |
|---|---|---|---|---|
| No. of stations | 6 | 1 | 4 | 1 |

Table 13

Fairness of barter package deals to local stations

| | Yes | No | Don't know | No response |
|---|---|---|---|---|
| No. of stations | 5 | 0 | 4 | 3 |

Table 14

<u>Stations with 4+ held back units approving barter split</u>

| | Yes | No | Don't know |
|---|---|---|---|
| No. of stations | 3 | | 2 |

Table 15

<u>Stations with 1-3 held back units approving barter split</u>

| | Yes | No | Don't know |
|---|---|---|---|
| No. of stations | 2 | | 1 |

Table 16

<u>Stations with varying numbers of held back units approving barter split</u>

| | Yes | No | Don't know |
|---|---|---|---|
| No. of stations | | | 3 |

represents a fair deal. One television executive said he considered the barter split "ok most of the time".

One survey question asked station executives to compare the average number of held back units their stations give to the number of held back units throughout the industry. Eight percent believe their stations hold back more units than the national average, while 17 percent believe their numbers are lower than the national average. The figures are even with the national average at 42 percent of the stations, and 33 percent do not know how their stations compare nationally (see Table 17).

Barter effects on advertising

The impact of barter on Oklahoma stations and their respective local economies is evident in the gain or loss of advertising revenues. According to the response of television executives surveyed, the introduction of barter has affected advertising sales both generally and nationally, but not locally. Advertising sales, generally, have been affected in half of the stations responding. One-third say barter has not hurt sales in general. Barter has affected national sales at 67 percent of the stations, while 33 percent of the stations say national advertising has not been affected. Barter has hurt local sales at one-third of the stations, while two-thirds have not had local sales affected by barter (see Table 18).

Among the stations surveyed, four said barter had not hurt their advertising sales in any way, nationally nor

Table 17

<u>Number of units held back by local stations compared to perceived number of units held back nationally</u>

| | More | Less | Same | Don't know |
|---|---|---|---|---|
| No. of stations | 0 | 2 | 6 | 4 |

Table 18

<u>Effects of barter advertising on local stations'advertising revenues</u>

| | Yes | No |
|---|---|---|
| Generally | 6 | 4 |
| Nationally | 8 | 4 |
| Locally | 4 | 8 |

locally. Two of these stations are independent, one is a Fox affiliate, and another is an ABC affiliate. Two are in Oklahoma City, and two are in Tulsa. Evidence from four stations revealed that, despite the debate over bartered advertising, local and national advertising sales have not decreased due to barter.

When asked to consider national accounts and evaluate if barter has affected paid national advertising at the local station, 42 percent of those responding said paid national advertising had decreased. In 17 percent of the stations, the volume of paid national advertising has remained steady. Paid national advertising increased at 33 percent of the stations because of barter (see Table 19). It is possible barter has attracted paid national advertising for some stations. Of the three reporting this increase, two are independents (one in Oklahoma City, one in Tulsa), and one Fox affiliate.

Among the stations that experienced a decrease in paid national advertising, executives said, "Ease of doing business is prime opportunity for barter," "It's one of the biggest growing aspects of our business," "National demand is down, competition from net[work]s and syndications for spots", "They get time on stations they do not have to buy", "Spot to barter", "Spot money moved to barter support".

One station executive, where paid national advertising has remained steady, said, "We still have the inventory we

Table 19

<u>Effect of barter on paid national advertising</u>

| | Paid national advertising |
|---|---|
| Unchanged | 2 |
| Increased | 3 |
| Decreased | 5 |
| Don't know | 2 |

need, even with barter. There are only a few exceptions."

Station executives who did not know how barter affected their paid national advertising said, "I believe it would be difficult to trace," and "There is not current info[rmation] on this subject, to my knowledge."

Executives of stations that saw an increase in paid national advertising commented on "an increase in sales activity and personnel". One experienced the "merger of two stations in [the] market and new ownership". Another said that "children's daytime programming has had an effect on national sales, in particular, over-saturation, which usually results in [an] over-sell situation".

Barter is blamed for the decrease of commercial avails at 75 percent of the stations responding. The remaining 25 percent indicate there has been no change in their stations' commercial avails (see Table 20).

The television executives were asked if they had encountered problems in dealing with bartered programming. Although half reported no problems in barter deals, 33 percent have experienced some problems (see Table 21). Some executives said barter has claimed "too many spots...They keep asking for more", as well as an "increasing split." Another respondent said, "Barter has been slowly creeping up. We will not give away more time than we retain."

When the subject of a national association was proposed to help alleviate barter problems, 75 percent of the respondents said there was no need for such an organization.

Table 20

<u>Effect of barter on commercial avails</u>

| | Commercial avails |
|---|---|
| Unchanged | 3 |
| Increased | 0 |
| Decreased | 9 |

Table 21

Stations in favor of barter problems being addressed on a national level

| | Yes | No | No response |
|---|---|---|---|
| No. of stations | 4 | 6 | 2 |

The remaining 25 percent did not know if a national association would help correct problems (see Table 22). Only eight percent are members of ASTA, and 75 percent do not hold membership in this association (see Table 23).

Twenty-five percent of the respondents would like to see a national "norm" established for barter package deals, while 33 percent disagreed with the proposal. The majority respondents (75%) believe the best negotiator should win the deal, while 17 percent want national guidelines set (see Table 24).

The present system is best for the promotion and management of barter, according to 75 percent of the respondents. Yet, 17 percent disagree (see Table 25). Acknowledging that the system is not the best, one executive said, "companies seem to be putting shows appropriately in barter or cash categories, so it works".

The executives believe the present system could be improved with "more selection and choice". According to an executive with one Fox affiliate, "Syndicators are not only clearing their barter programming, but now demanding promotion time plus print. In a competitive market, a station must determine if [the] program is worth extra costs in promotion [and] print costs".

<u>Barter effects on career choice</u>

While corporate management will determine a station's barter policies in programming and commercial time, executives' personal beliefs about the barter industry are

Table 22

<u>Stations in favor of national barter association to help correct problems</u>

| | Yes | No | Don't know |
|---|---|---|---|
| No. of stations | 0 | 9 | 3 |

Table 23

<u>Executives holding ASTA membership</u>

| | Yes | No | No response |
|---|---|---|---|
| No. of stations | 1 | 9 | 2 |

Table 24

Establish norms or deal with best negotiator in barter deals

| | Yes | No |
|---|---|---|
| Establish "norms" | 3 | 5 |
| Best negotiator | 9 | 2 |
| No response | - | 5 |

Table 25

Stations believing present barter system the best way to manage and promote syndicated programming

| | Yes | No | No response |
|---|---|---|---|
| No. of stations | 9 | 2 | 1 |

evident in the career choices each one makes. Oklahoma television executives would seem content in their careers. Forty-two percent claim they would not move to a company specializing in bartered programming and sales, even if the financial rewards, perks, and benefits were better than their current positions offered. Only 25 percent said they would make a move for an increase in salary and benefits (see Table 26).

Problems with Barter

Television stations in Oklahoma are largely convinced the networks' advertising dollars are threatened by acceptance of bartered programming. According to 67 percent, network advertising revenue is threatened by barter. Conversely, 25 percent do not believe barter threatens network advertising revenue (see Table 27).

According to the executives, barter is "just a good deal for both the provider and us", delivering "time flexibility and make good feasibility". Barter is "what every station is seeking, higher ratings resulting in higher sales", says one respondent.

Spin outs are not of prime importance to Oklahoma stations. Spin outs are aired by 25 percent of the stations in certain dayparts, while 17 percent of the stations air them in all dayparts (see Table 28).

The future of local stations may not improve much through the use of bartered programming. Half of the respondents said they saw no increased benefit from barter

Table 26

Executives who would consider a move to a barter company

| | Yes | No | Don't know | No response |
|---|---|---|---|---|
| No. of stations | 3 | 5 | 3 | 1 |

Table 27

Networks' advertising dollars threatened by barter

| | Yes | No | Don't know | No response |
|---|---|---|---|---|
| No. of stations | 8 | 3 | 0 | 1 |

Table 28

<u>Stations airing spin outs</u>

| | All times | Certain times | No response |
|---|---|---|---|
| No. of stations | 2 | 3 | 7 |

for their stations. Only 17 percent saw barter as an increasing benefit to their stations (see Table 29).

Should current economic conditions worsen, 42 percent of the television executives indicated their stations would not relax barter policies. The possibility of a policy change was indicated in 25 percent of the responses (see Table 30). Station management appears confident barter percentages will remain constant. One executive commented that his station's barter could not "become more relaxed or we'd be comatose".

Table 29

Stations forecasting barter as increasing benefit

| | Yes | No | Don't know | No response |
|---|---|---|---|---|
| No. of stations | 2 | 6 | 2 | 2 |

Table 30

Relaxation of barter policies should the economy worsen

| | Yes | No | Perhaps | No response |
|---|---|---|---|---|
| No. of stations | 0 | 5 | 3 | 4 |

# CHAPTER V: CONCLUSION

The purpose of this pilot study was to determine effects of barter on programming, advertising revenues, and local advertising revenues. A survey instrument was used to poll opinions on barter's effect on Oklahoma television stations.

## Results of the study

The thesis began with two hypotheses:

$HO_1$
Barter advertising takes revenue from a television station, and;

$HO_2$
The acceptance of barter advertising weakens the dollar value of the commercial unit sold locally.

From the survey results, stations rely on barter to program their schedules. Television stations use various amounts of barter to fill their schedules, one using barter as little as three percent, another as much as 65 percent. Two television stations responding to the survey use barter for more than 50 percent of their programming.

Barter usage has increased in Oklahoma. Among the stations responding, 42 are using more barter than in the past, while barter usage has remained steady at half of the stations. Seventy-five percent of television executives report their stations' goals are met with current barter programming levels.

The first hypothesis dealt with the belief barter takes revenue from television stations. This hypothesis was proven to be accurate. Survey data revealed 50 percent of the stations reported barter affecting their sales in general. National advertising sales were affected by barter in 67 percent of the stations.

These results would indicate television stations are selling fewer commercial units to national advertisers. This was further proven by the results of an inquiry on the survey regarding paid national advertising. Although 33 percent of the stations report increases in national advertising as a direct result of barter, 42 percent claim national advertising sales volumes were down. Additionally, 75 percent of the stations say barter has decreased their commercial avails. This loss of available time is also a loss of revenue for the station, resulting in less inventory to sell for cash.

Oklahoma television executives cite the ease of doing barter business with no cash outlay to explain the reduced volume of sales. A shift from cash purchases to barter placements is affecting the local station's income.

The second hypothesis dealt with barter weakening the value of the local spot commercial. This hypothesis was proven to be incorrect.

The survey revealed 67 percent of the stations indicated barter did not hurt local advertising sales. This is further supported by the fact that 33 percent of the respondents stated barter had not affected their sales generally, nor at the national and local levels.

The results regarding local advertising sales were surprising to the researcher. In conducting a review of literature, the researcher concluded barter had devastating effects on local economies. Survey data, however, indicates otherwise, and Oklahoma television stations have plenty of available commercial time to sell to local advertisers.

Oklahoma stations are satisfied with the benefits barter has brought to them. This evidence conflicts with several opinions of industry leaders, which were presented in the literature review. Oklahoma stations could benefit more from barter than stations in other parts of the country.

The national television industry is greatly concerned about the number of commercial units held back for program producers, and the value of these units if the economy improves or the program becomes an overwhelming success. Oklahoma executives, however, welcome barter as a part of the television industry.

<u>Recommendations for further study</u>

Based on these findings, the following recommendations are made for further study:

1. Conduct similar studies using national advertising sales of the major networks.

2. Conduct a similar study of Oklahoma television stations using a more detailed survey instrument to further investigate barter and its effects. Questions could be based on specifics such as a programming-based survey, an

advertising-based survey, and an audience-rating survey. These new fields of study could contrast with this pilot study. An additional study could be made of those stations that use barter in more than 50 percent of their programming schedules.

3. Conduct similar studies of other states' television industries, and compare those findings with those of Oklahoma stations.

4. As the barter industry moves and changes, conduct further studies to measure its effect on the television industry and television viewers.

5. Further study could be done on the 1992 FCC regulation changes and how they affect off-network syndication and barter.

6. Conduct a study to determine the effects of PTAR changes on barter and syndicated programming, as well as network revenues, specifically as these changes relate to stations currently petitioning the FCC for waivers of PTAR.

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# APPENDIX A

## TELEVISION BARTER SURVEY

**TELEVISION BARTER SURVEY**

The purpose of this survey is to obtain data for a master's thesis. Your opinion is important, and will be a crucial element in this study of television executives. Data about individual stations will be kept confidential. Your views will be reflected in a thesis, and will be appreciated.

1. Title ______________________________

2. How long have you been employed in this position? ______________________________

3. Does your station accepted bartered programming? ______________________________

4. If your station does not accept program material by bartered basis, what are the reasons? ______________________________

5. What would have to occur in order for your station to accept program material by bartered basis? ______________________________

6. Does your station currently "trade out" goods, services, or other items? (Not to be confused with bartered programming.) ______________________________

************************************************************
If your station does not accept barter, you do not need to answer the following questions. Please return this survey in the enclosed, postage-paid envelope.
************************************************************

7. Do you accept bartered programming from syndicated services?

| | | |
|---|---|---|
| | YES | NO |
| Advertising agencies? | YES | NO |
| Networks? | YES | NO |

8. Estimate the percentage that bartered programming represents in your current program schedule. ______________________________

9. How does your answer to question #8 compare with the percentage of your station's bartered programming last year?

INCREASE DECREASE SAME DON'T KNOW

10. How do you expect next year's percentage of your station's bartered programming to compare with this year's figure?

INCREASE DECREASE SAME DON'T KNOW

11. Does your answer to question #8 reflect the goals of your company?

YES NO

12. If your percentage of bartered programming does not reflect the goals of your company, are you making plans for this figure to

INCREASE DECREASE

13. On what reason(s) do you base your answer to question #12? ______________________________
______________________________
______________________________
______________________________

14. Does your station actively solicit new programs for barter?

YES NO

15. If your answer to question #14 is yes, what types of programs to you solicit? ______________________________
______________________________
______________________________
______________________________

16. What types of bartered programming does your station refuse to accept? ______________________________
______________________________
______________________________
______________________________

17. What commercials would be unacceptable for your station? ______________________________
______________________________
______________________________

18. When approached by a distributor or syndicator, what is your prime consideration for accepting a bartered programming package? ______________________________
______________________________
______________________________

19. Under what terms does your station accept bartered programming?

STRAIGHT BARTER (NO CASH)
BARTER + CASH
OTHER: ____________________

20. When accepting a bartered program package and considering a specified number of "held back" commercial announcements for the distributors, what is the average number of commercials your station agrees to hold for the distributor? ____________________

21. How does this number compare with the number from the previous year?

HIGHER LOWER SAME DON'T KNOW

22. Does this figure reflect the goals of your station?

YES NO DON'T KNOW

23. Is this figure a fair trade for the package deal?

YES NO DON'T KNOW

24. How do you think this figure compares with the industry as a whole?

HIGHER LOWER SAME DON'T KNOW

25. Do you believe bartered programming and its related advertising has hurt your sales?

| | | |
|---|---|---|
| | YES | NO |
| Nationally? | YES | NO |
| Locally? | YES | NO |

26. When considering national accounts, how much has bartered programming affected paid national advertising for your station?

SALES ARE STEADY
SALES HAVE INCREASED
SALES HAVE DECREASED
DON'T KNOW

27. What are the causes for your answer to question #26? ____
____________________
____________________
____________________

28. How does bartered programming affect your station's commercial avails?

INCREASE DECREASE NO CHANGE

29. In dealing with syndicators of bartered programming, have you encountered problems or difficulties that should be addressed on a national level?

YES NO

30. Please list these problems or difficulties you have encountered. ____________________________________________
____________________________________________
____________________________________________
____________________________________________

31. Do you believe a national barter association would help correct any major problems in the industry?

YES NO DON'T KNOW

32. Should syndicators establish a "norm" for their program deals, or should the best negotiator win?

Norm: YES NO

Deals: YES NO

33. Is your station a member of Advertiser Supplied Television Association (ASTA)?

YES NO

34. Do you believe the present system of barter advertising is the best way to manage and promote syndicated programming?

YES NO

35. In what way could the present system be improved? ______
____________________________________________
____________________________________________
____________________________________________

36. Would you consider a career move to bartered programming sales if it had better financial rewards, perks, benefits, etc?

YES NO DON'T KNOW

37. Do you believe the networks' advertising dollars are threatened by acceptance of bartered programming and advertising?

YES NO DON'T KNOW

38. What types of incentives are expected by your station?

____________________________________________
____________________________________________
____________________________________________
____________________________________________

39. Are "spin outs" aired at all times, or just during certain dayparts?

ALL TIMES
CERTAIN DAYPARTS: ____________________________
____________________________________________

40. Do you forecast barter becoming an increasing benefit to your station?

YES NO DON'T KNOW

41. In the event the economy changes for the worse, will your station relax its current barter policies?

YES NO PERHAPS

# APPENDIX B

## LETTER 1

THOMAS HARRISON
Post Office Box 1720
Broken Arrow, OK 74013-1720

October 14, 1991

Dear Media Professional:

I would appreciate your taking a few minutes to complete the enclosed survey. The purpose of this survey is to conduct research for a thesis concerning the use of barter in Oklahoma. Your comments will be appreciated, and your answers will be confidential.

I am a graduate student at the University of Oklahoma, studying Journalism and Mass Communication with a Media Management emphasis. Your completing the survey will aid me in completing my thesis, and gaining valuable insights regarding barter.

Once you have completed the survey, please return it to me as soon as possible in the enclosed postage-paid envelope.

Thank you for your time and assistance.

Sincerely,

[redacted]

THOMAS HARRISON
Masters Degree Candidate
University of Oklahoma

# APPENDIX C

## LETTER 2

THOMAS HARRISON
Post Office Box 1720
Broken Arrow, OK 74013-1720

December 26, 1991

Dear Sales Manager:

A few weeks ago I sent to your office a survey regarding television barter as it relates to program syndication. I have not received your completed survey as of this date. Knowing your busy schedule, I have enclosed an extra survey and postage-paid envelope for your reply.

This survey is a part of my required research for my thesis, and subsequent Masters degree. The information you supply will not be released in any form indicating your individual station.

I appreciate your joining with other media professionals as we research the topic of television barter.

Thank you for your time and comments. May 1992 be the best year you experience.

Sincerely,

[redacted]
Masters Degree Candidate
University of Oklahoma

# APPENDIX D

# SURVEY ENVELOPE

Survey Envelope

THOMAS HARRISON
Post Office Box 1720-15
Broken Arrow, OK  74013-1720